Auditor's report

Sedibeng Local Municipality

30 June 2015

Report of the auditor-general to the Gauteng Provincial Legislature and the council on the Sedibeng District Municipality

Report on the financial statements

Introduction

1. I have audited the financial statements of the Sedibeng District Municipality set out on pages … to …, which comprise the statement of financial position as at 30 June 2015, the statement of financial performance, statement of changes in net assets, cash flow statement and statement of comparison of budget information with actual information for the year then ended, as well as the notes, comprising a summary of significant accounting policies and other explanatory information.

Accounting officer's responsibility for the financial statements

2. The accounting officer is responsible for the preparation and fair presentation of these financial statements in accordance with South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Municipal Finance Management Act of South Africa, 2003 (Act No. 56 of 2003) (MFMA) and the Division of Revenue Act of South Africa, 2014 (Act No. 10 of 2014) (DoRA), and for such internal control as the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor-general's responsibility

3. My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with International Standards on Auditing. Those standards require that I comply with ethical requirements, and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the municipality's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the municipality's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

6. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Sedibeng District Municipality as at 30 June 2015 and its financial performance and cash flows for the year then ended, in accordance with SA Standards of GRAP and the requirements of the MFMA and DoRA.

Emphasis of matters

7. I draw attention to the matters below. My opinion is not modified in respect of these matters.

Financial sustainability

8. Note 34 to the financial statements indicates that the municipality incurred an operating deficit of R6 015 362 (2013-14: R36 422 843) during the year ended 30 June 2015 and, as of that date, the municipality's current liabilities exceeded its current assets by R65 688 470 (2013-14: R72 738 086). These conditions indicate the existence of a material uncertainty that may cast significant doubt on the municipality's ability to operate as a going concern.

Restatement of corresponding figures

9. As disclosed in note 33.1 to the financial statements, the corresponding figures for 30 June 2014 have been restated as a result of errors discovered in the financial statements of the municipality during the year ended 30 June 2015.

Additional matter

10. I draw attention to the matter below. My opinion is not modified in respect of this matter.

Unaudited disclosure notes

11. In terms of section 125(2)(e) of the MFMA, the municipality is required to disclose particulars of non-compliance with the MFMA. This disclosure requirement did not form part of the audit of the financial statements and, accordingly, I do not express an opinion thereon.

Report on other legal and regulatory requirements

12. In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and the general notice issued in terms thereof, I have a responsibility to report findings on the reported performance information against predetermined objectives for selected development objectives presented in the annual performance report, compliance with legislation and internal control. The objective of my tests was to identify reportable findings as described under each subheading, but not to gather evidence to express assurance on these matters. Accordingly, I do not express an opinion or conclusion on these matters.

Predetermined objectives

13. I performed procedures to obtain evidence about the usefulness and reliability of the reported performance information for the following selected development objectives presented in the annual performance report of the municipality for the year ended 30 June 2015:

    - Development objective 1: plan and develop accessible, safe and affordable public transport systems and facilities on pages x to x
    - Development objective 2: facilitate and coordinate internal and external HIV&AIDS and TB mainstreaming on pages x to x
    - Development objective 3: the pursuit of efficient, accountable, co-operative governance on pages x to x
    - Development objective 4: qualitative transparent and reliable performance management system in the Sedibeng District Municipality on pages x to x
    - Development objective 5: render an efficient effective and corruption free vehicle registration and licencing services on pages x to x
    - Development objective 6: create long term sustainable jobs; reduce unemployment, poverty and inequalities on pages x to x
    - Development objective 7: promote residential development and urban renewal
    - Development objective 8: provide integrated support in ensuring that communities are safe and secure on pages x to x
    - Development objective 9: promote efficient delivery of primary health care and emergency medical services on pages x to x
    - Development objective 10: ensuring BBBEE and SMME development on pages x to x
    - Development objective 11: promote and develop agricultural sector on pages x to x
    - Development objective 12: provide an integrated support in ensuring that communities are safe and secure on pages x to x
    - Development objective 13: develop and maintain high quality municipal facilities on pages x to x

14. I evaluated the reported performance information against the overall criteria of usefulness and reliability.

15. I evaluated the usefulness of the reported performance information to determine whether it was presented in accordance with the National Treasury's annual reporting principles and whether the reported performance was consistent with the planned development objectives. I further performed tests to determine whether indicators and targets were well defined, verifiable, specific, measurable, time bound and relevant, as required by the National Treasury's *Framework for managing programme performance information*.

16. I assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.

17. I did not identify material findings on the usefulness and reliability of the reported performance information for the selected development objectives.

Additional matter

18. Although I identified no material findings on the usefulness and reliability of the reported performance information for the selected development objectives, I draw attention to the following matter:

Achievement of planned targets

19. Refer to the annual performance report on pages x to x and x to x for information on the achievement of the planned targets for the year.

Compliance with legislation

20. I performed procedures to obtain evidence that the municipality had complied with applicable legislation regarding financial matters, financial management and other related matters. I did not identify any instances of material non-compliance with specific matters in key legislation, as set out in the general notice issued in terms of the PAA.

Internal control

21. I considered internal control relevant to my audit of the financial statements, annual performance report and compliance with legislation. I did not identify any significant deficiencies in internal control.

Other reports

Investigations

22. An internal forensic investigation was conducted at the request of the municipality. The investigation was initiated based on allegations of the possible misuse of the chief operations officer's signature. The investigation was still ongoing at the reporting date.

Auditor-General

Johannesburg

30 November 2015

AUDITOR-GENERAL
SOUTH AFRICA

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